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MMS Proposes Changes to Regulations for Valuing Indian Oil

The U.S. Department of the Interior's Minerals Management Service announced today that it is publishing additional changes to the proposed rule for valuing oil produced on Indian lands. The proposed rule will be published in the January 5, 2000, *Federal Register*.

MMS will hold one or more public workshops in early February to discuss the proposal. Details of the workshops will be announced in the *Federal Register* as soon as the arrangements have been made.

The proposed Indian oil valuation rule differs from the Federal oil valuation rule. There is a higher valuation standard called for in Indian lease terms. It is a markedly different valuation procedure than the Federal oil valuation rule. Indian lease contracts contain unique provisions requiring the royalty to be paid on the "highest price paid or offered for the major portion of like-quality oil produced and sold from the field."

Last year, the MMS published a proposed rule for Indian oil valuation on February 12, 1998. Today's supplementary proposed rule would make improvements by allowing deductions for the cost of transporting oil on reservations; using spot prices instead of NYMEX prices; using the average of the entire month's high index prices rather than the five highest index prices for the month; and simplifying the proposed Form MMS-4416. The proposed changes would also make the Indian oil valuation rule more consistent with the recently published Indian gas valuation rule. The Department estimates the proposed rule would increase royalties to Indian tribes and allottees by $4.7 million annually.

The Department of the Interior has a responsibility to maximize revenues for American Indians. The MMS collects, accounts for, and distributes more than $150 million annually in revenues to Indian tribes and individual allottees. These revenues are derived from royalties associated with mineral development on Indian lands.

The comment period will be open for 60 days, closing on March 6, 2000. Comments should be submitted to the Minerals Management Service, Royalty Management Program, Rules and Procedures Staff, Denver Federal Center, Building 85, Box 25165, Mail Stop 3021, Denver, Colorado, 80225-0165. Questions can be directed to David Guzy, Chief of Rules and Publications, at (303) 231-3432 or e-mail David_Guzy@mms.gov.